

# **MINUTES**

## **North Dakota Public Employees Retirement System**

**Thursday, July 17, 2008  
WSI, Bismarck  
WSI, Fargo  
8:30 A.M.**

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Ron Leingang  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Aaron Webb, Attorney Generals Office  
Ms. Onalee Sellheim, BCBSND  
Ms. Jodi Buhr, NDPEA

Via Conference Call: Mr. Larry Brooks, BCBSND  
Mr. Kevin Schoenborn, BCBSND

Chairman Strinden called the meeting to order at 8:30 a.m. Chairman Strinden welcomed the new Board member Mr. Levi Erdmann.

### **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the June 19, 2008 Board meeting.

**MR. SANDAL MOVED APPROVAL OF THE JUNE 19, 2008 NDPERS BOARD MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

**GROUP INSURANCE**

**MEDICA PRESENTATION**

Mr. Collins introduced Mr. Halvorson, Vice President of Business Development with Medica Health Plans, a group insurance carrier in North Dakota. Mr. Halvorson reviewed with the Board facts about Medica Health Plans, which is headquartered in Minneapolis, MN. They are the second largest health plan in the upper Midwest, serving 1.5 million members through 12,000 group customers. Board members had questions of Mr. Halvorson relating to the Medica plan.

**RENEWAL**

Mr. Collins reviewed with the Board information relating to the BCBSND renewal. The August Board meeting is scheduled for August 26 to allow staff ample time to put the renewal information together.

**BCBS MEMBER SATISFACTION SURVEY**

Ms. Sellheim from BCBSND reviewed with the Board the 2008 member satisfaction survey results. The Board had questions that were responded to by Ms. Sellheim.

**HB 1433 UPDATE**

Mr. Collins presented updated information to the Board relating to the Disease State Management of Diabetes Program. He reported there were 172 members signed up for the program. The program can handle up to 800 members.

**MEDICARE PART D**

Mr. Collins reported an issue with Medicare Part D where members inadvertently signed up with another Part D carrier, ending up with two coverages. The federal government does not allow individuals to have two coverages. The consequence for a member is that they have paid premium to two plans. For those members who paid for not only the PERS plan but also another plan and when the members claims were paid by the other carriers, PERS staff is suggesting that we prorate the PERS premiums that relate to the Part D coverage and reimburse that back to the member. Prospectively these people would be reenrolled in the PERS coverage. Mr. Brooks, BCBSND, stated that Ms. Sellheim contacted each of these individuals and most of them had no intention of leaving the PERS policy; it was inadvertent.

**MR. LEINGANG MOVED TO APPROVE THE APPROACH TO REIMBURSE RETIREES PREMIUMS FOR THE MONTHS WHERE THERE WAS ALTERNATE MEDICARE PART D COVERAGE AND NDPERS WAS NOT THE PRIMARY COVERAGE. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

### **FORMULARY CHANGES**

Mr. Schoenborn, BCBSND, reviewed with the Board formulary changes that will be effective September 1, 2008. BCBSND will work with Prime Therapeutics to identify all members that have taken these drugs in the last six months and letters will be sent to these members informing them of the formulary drugs that will become nonpayable.

### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the May surplus projections and affordability analysis for the NDPERS group medical plan to the Board.

### **RETIREMENT**

#### **DISABILITY**

Mr. Collins indicated to the Board that staff needs guidance in making a disability retirement issue decision. The specific issue relates to a member applying for disability benefits, electing a joint and survivor benefit and the member passing away before they received their first disability check. Pursuant to standard procedures for nondisability retirement benefits, the statute states a benefit is deemed final when the member accepts the retirement benefit. However, since the disability retirement is different than the standard benefits, staff is recommending PERS establish the PERS policy for disabilities to be that the election is valid at the time of the award under North Dakota Administrative Code 71-02-05-06(5). The Board discussed this issue.

**MR. TRENBEATH MOVED TO ACCEPT STAFF RECOMMENDATION BASED ON THE NORTH DAKOTA ADMINISTRATIVE CODE THAT THE ELECTION IS VALID AT THE TIME OF THE AWARD. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

### **MOTION PASSED**

### **ASSET ALLOCATION STUDIES**

Mr. Collins followed up with the Board relating to information on the asset/liability studies for the Job Service retirement plan and the retiree health plan. Since the last meeting, RIO has contacted SEI who did our last study and they have agreed to do the review again at no cost. The studies will be started when the actuarial evaluations for this year are complete in October. The studies should be available for your review late this year.

### **NEW EMPLOYER UPDATE**

Mr. Collins provided information to the Board relating to the number of members reached through education services provided by PERS staff from July 1, 2007 to June 30, 2008.

**MISCELLANEOUS**

**LEGISLATIVE TECHNICAL REVIEWS**

Mr. Collins referred the Board to the draft technical and actuarial reviews that have been completed relating to PERS bills and indicated that in October the final reviews will be presented for final review and Board recommendations. Mr. Collins also recommended to the Board that on non PERS bills, we remain neutral. There have been no significant actuarial or technical issues. Relating to Senator Mathern's bill relating to establishment of a healthy North Dakota health insurance plan, Mr. Collins recommended the Board consider requesting that the Executive Director of PERS' assignment to chair the board of this new agency be withdrawn because of time constraints. Board discussion occurred.

**MR. LEINGANG MOVED THAT THE BOARD SUGGEST TO SENATOR MATHERN THAT HE CONSIDER CHANGING HIS PROPOSED BILL TO ELIMINATE THE PROVISION THAT THE EXECUTIVE DIRECTOR OF NDPERS BE REQUIRED TO SERVE ON THE HEALTHY NORTH DAKOTA HEALTH INSURANCE PLAN BOARD. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

Mr. Collins reported that relating to Bills 90111 and 90112, these bills be modified to move the implementation date to March 1, 2011. These enhancements could then be incorporated into the new business system.

**MR. TRENBEATH MOVED TO AMEND BILLS 90111 AND 90112 TO POSTPONE IMPLEMENTATION DATES TO MARCH 1, 2011. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

Mr. Collins reviewed with the Board highlights of the draft technical and actuarial reviews of PERS bills.

**BOARD COMMITTEE ASSIGNMENT**

Mr. Collins stated there is a vacancy on the Investment Committee. Mr. Trenbeath has been serving as an alternate and statute states that the three members appointed by PERS must be from the elected members to the Board. Mr. Erdmann expressed an interest in serving on this committee.

**MS. EHRHARDT MOVED TO APPOINT MR. ERDMANN TO THE INVESTMENT COMMITTEE, WITH MR. TRENBEATH SERVING AS THE ALTERNATE MEMBER. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

**INTERNAL AUDIT POLICIES**

Mr. Collins reported to the Board that at the May Audit Committee meeting it was suggested that Internal Audit Policy 104, Independence, be changed removing reference to signing a conflict of interest statement. This step will be considered a part of planning an audit.

**MR. LEINGANG MOVED TO APPROVE THE AMENDED INTERNAL AUDIT POLICY NO. 104. MR. TRENBEATH SECONDED THE MOTION.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

**QUARTERLY CONSULTANT FEES**

The quarterly consultant fees report was presented to the Board for their information.

**EXECUTIVE DIRECTOR REVIEW**

Chairman Strinden thanked Mr. Leingang for his efforts in coordinating the executive director evaluation process with the Board members. Mr. Leingang reviewed with the Board the evaluation review results as well as the results of the Executive Director Performance Review and Compensation Committee meeting. Mr. Leingang reviewed with the Board the recommended adjustment for Mr. Collins. Discussion followed.

**MS. SMITH MOVED TO RECOMMEND A 3.5% GENERAL LEGISLATIVE INCREASE AND A 1.5% EXTERNAL EQUITY INCREASE EFFECTIVE JULY 1, 2008. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Ms. Ehrhardt, Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

Mr. Leingang stated that one of the recommendations of Executive Director Performance Review and Compensation Committee related to procedures for managing sick and

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annual leave for non-classified staff such as the NDPERS Executive Director. It is generally up to boards to establish such rules. The Board reached consensus that this will be reviewed and a policy should be developed for Board approval.

The State Investment Board agenda and approved minutes were shared with the Board.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:40 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board